

## Message Text

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C O N F I D E N T I A L CAIRO 9816

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AIDAC

E.O. 11652: GDS

SUBJECT: PORT OF ALEXANDRIA (DIKHEILA) EXPANSION MASTER PLANNING/  
FEASIBILITY STUDY SOLE SOURCE WAIVER

REF: (A) CAIRO 9330 (B) CAIRO 9328

1. THE SERIOUS CONGESTION OF EGYPT'S PRINCIPAL PORT OF ALEXANDRIA HAS FOR A CONSIDERABLE TIME BEEN RECOGNIZED AS HIGHLY COSTLY TO THE ARE IN TERMS OF DEMURRAGE RESULTING FROM LONG SHIP WAITING TIMES AND, MORE IMPORTANTLY, IN TERMS OF CONSTRAINED ECONOMIC DEVELOPMENT DUE TO THE RESTRICTED FLOW OF GOODS THROUGH THE EXISTING PORT FACILITIES.

2. IN EARLY 1975, A.I.D. ENGAGED A U.S. PORT OPERATIONS SPECIALIST TO PROVIDE ADVISORY ASSISTANCE TO THE GENERAL MANAGER OF THE PORT AUTHORITY OF ALEXANDRIA RELATIVE TO IMPROVING OPERATIONS. THE CONSULTANT'S REPORT (FREDERIC R. HARRIS, INC., REPORT DATED APRIL-MAY 1975) NOTED THAT IT WAS UNLIKELY THT EITHER TEMPORARY EMERGENCY MEASURES OR THE ADDITION OF NEW EQUIPMENT COULD RESULT IN A PERMANENT SOLUTION TO THE PORT'S CONGESTION PROBLEMS. THE REPORT CONCLUDES THAT ONLY BY INCREASING THE BERTHING FACILITIES OF THE PORT CAN THE CONGESTION BE SIGNIFICANTLY AND PERMANENTLY RELIEVED AND RECOMMENDS THAT MASTER PLANNING STUDIES CONSIDER SUCH BERTHING REQUIREMENTS.

3. AT THE PRESENT TIME, THE GENERAL ORGANIZATION FOR INDUSTRIALIZ-  
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ATION (GOFI), ARE, IS PROPOSING TO PERFORM SUCH A MASTER PLANNING

STUDY OF ALEXANDRIA PORT UTILIZING THE SERVICES OF INTERNATIONAL ENGINEERING COMPANY, INC. (IECO), CURRENTLY UNDER CONTRACT WITH GOFI FOR ENGINEERING WORKS RELATED TO THE DEVELOPMENT OF DIKHEILABAY. IECO'S INVESTIGATION INTO DEVELOPMENT OF DIKHEILA BAY, IMMEDIATELY ADJACENT TO THE PORT, WAS PERFORMED IN CONJUNCTION WITH THE PROPOSED ESTABLISHMENT OF A SPONGE IRON PROCESSING PLANT IN THE BAY AREA REQUIRING A DEEP WATER PIER AND BULK SHIP LOADING FACILITIES. ACTING AS CONSULTANT TO THE PROJECT'S JOINT VENTURE PARTNERS, IECO CONDUCTED PRELIMINARY STUDIES OF THE DIKHEILA BAY AREA AND RELATED PIER REQUIREMENTS AS NECESSARY TO ITS PREPARATION OF AN INVESTMENT APPRAISAL OF THE SPONGE IRON PROJECT.

4. IN AUGUST 1974, GOFI, AS THE JOINT VENTURE PARTNER RESPONSIBLE FOR PROVIDING THE NEEDED WATERFRONT INFRASTRUCTURE - ENGAGED IECO TO UNDERTAKE FURTHER INVESTIGATIONS OF DIKHEILA BAY SITE CONDITIONS, PREPARE BIDDING DOCUMENTS FOR PIER CONSTRUCTION AND ASSIST IN THE PREQUALIFICATION OF CONTRACTORS FOR PROPOSED PIER CONSTRUCTION. GOFI SUBSEQUENTLY CONTRACTED WITH IECO FOR AN EXTENDED SCOPE OF MARINE INVESTIGATIONS, SEISMIC STUDIES OF THE HARBOR FLOOR; PREPARATION OF DRAWINGS AND BIDDING DOCUMENTS FOR AN EXPANDED INFRASTRUCTURE DEVELOPMENT OF DIKHEILA BAY, INCLUDING A BREADKWATER, DREDGING OF CHANNELS AND TURNING BASINS, SOME 3,000 METERS OF QUAY WALLS; AND PREPARATION OF BASIC SPECIFICATIONS FOR SHIP LOADING/ UNLOADING EQUIPMENT. THE ABOVE DESCRIBED EXPANDED IMPROVEMENTS OF DIKHEILA BAY CONSTITUTES PHASE I OF A PRELIMINARY PLAN PREPARED BY IECO FOR THE COMPREHENSIVE DEVELOPMENT OF DIKHEILA BAY CONSISTENT WITH THE OVERALL REQUIREMENTS OF PORT OF ALEXANDRIA EXPANSION. IT IS EXPECTED THAT IECO WILL COMPLETE ITS WORK RELATIVE TO PHASE I BY MID-OCTOBER 1975.

5. HOWEVER, IN ORDER TO ENSURE THE COMPATIBILITY OF PHASE I WITH LONG RANGE PORT DEVELOPMENT PLANS AND TO ASCERTAIN ITS ECONOMIC FEASIBILITY, IT IS THE INTENTION OF GOFI, PRIOR TO AWARDED ANY CONTRACTS FOR THE DETAILED ENGINEERING AND CONSTRUCTION OF PHASE I (BOTH ACTIVITIES TO PROCEED SIMULTANEOUSLY) TO COMPLETE A MASTER PLAN FOR THE LONG RANGE (THROUGH YEAR 2000) DEVELOPMENT OF THE PORT OF ALEXANDRIA, INCLUDING DIKHEILA, AND A FEASIBILITY STUDY OF PHASE I. IT IS THE AIM OF GOFI TO EFFECT COMPLETION OF THE MASTER PLANNING STUDY AND INTEGRAL FEASIBILITY STUDY BY MARCH 1, 1976, THUS PERMITTING THE AWARD OF PHASE I ENGINEERING AND CONSTRUCTION CONTRACTS IN EARLY

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MARCH--AFFORDING USE OF THE FULL 1976 CONSTRUCTION SEASON AND PERMITTING CONSTRUCTION TO BE COMPLETED BY MAY 1978.

6. GOFI HAS ESTIMATED THAT DELAYS IN RELIEVING CONGESTION IN THE PORT OF ALEXANDRIA COST THEM ARE IN EXCESS OF \$2 MILLION PER MONTH. IT HAS FURTHER ESTIMATED THAT LOSS OF REVENUE DUE TO DELAYS IN OPERATION OF THE SPONGE IRON PLANT DURING ITS STARTUP PERIOD WOULD BE ON THE ORDER OF \$10 MILLION PER MONTH. GOFI IS, THEREFORE, EXTREMELY

ANXIOUS THAT PHASE I PROJECT IMPLEMENTATION BE INITIATED WITHOUT DELAY.

7. THE ONLY FEASIBLE WAY TO COMPLETE THE REQUIRED MASTER PLAN/FEASIBILITY STUDY IN THIS SHORT TIME FRAME IS TO CONTINUE THE SERVICES OF THE ENGINEERING CONSULTANT, IECO, WHO HAS BEEN INTIMATELY INVOLVED IN DIKHEILA BAY PLANNING AND ENGINEERING. DUE TO IECO'S FAMILIARITY WITH THE ALEXANDRIA AND DIKHEILA SITES, ITS ENGAGEMENT IN PREVIOUS PLANNING AND ENGINEERING STUDIES OF THE DIKHEILA BAY AREA AND ITS KNOWLEDGE AND UNDERSTANDING OF ITS CLIENT'S INTENTIONS AND PERSONNE, THIS FIRM CAN BE EXPECTED TO ACCOMPLISH ITS MISSION WITHIN THE ALLOTTED TIME FRAME, WHEREAS A NEW CONSULTANT COULD NOT. FURTHER, A NEGOTIATED CONTRACT AMENDMENT FOR SUCH SERVICES COULD BE CONCLUDED BETWEEN GOFI AND IECO WITHIN A WEEK; THE USUAL CONSULTANT ENGAGEMENT PROCESS COULD BE EXPECTED TO TAKE AT LEAST 12 WEEKS TO COMPLETE. GOFI HAS DISCUSSED ITS REQUIREMENTS WITH IECO AND, REPORTEDLY, THE FIRM IS PREPARED TO IMMEDIATELY INITIATE STAFF MOBILIZATION UPON CONTRACT AMENDMENT EXECUTION.

8. GOFI HAS INFORMALLY EXPRESSED TO USAID ITS DESIRE FOR AID GRANT FUNDING OF THE STUDY. GOFI HAS FURTHER EXPRESSED ITS DESIRE TO ENGAGE IECO, THROUGH A NEGOTIATED CONTRACT AMENDMENT, AS THE SOLE SOURCE FOR THE EXPEDITIOUS PROVISION OF THE REQUIRED PROFESSIONAL SERVICES AND HAS REQUESTED THAT AID WAIVE ITS USUAL PROCUREMENT PROCEDURES.

9. FOR REASONS STATED REFTEL A, USAID ANXIOUS TO PARTICIPATE IN THE OVERALL PROJECT IT THAT PROVES FEASIBLE. BY FUNDING STUDY, AID WILL GAIN LEVERAGE NECESSARY TO INFLUENCE SCOPE AND PERFORMANCE OF IECO'S WORK THUS HELPING TO ASSURE THAT RESULTANT REPORTS WILL SATISFY AID REQUIREMENTS. USAID, THEREFORE, ENDORSES GOFI'S PLAN OF ACTION AND REQUESTS EARLY AID/W ISSUANCE OF NECESSARY  
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10. CABLE ADVICE REQUESTED.  
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## Message Attributes

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